UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

0018636067

ACCOUNTING **0452/13**

Paper 1 **October/November 2013**

1 hour 45 minutes

Candidates answer on the Question Paper.
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
You may use a soft pencil for any diagrams or graphs.
Do not use staples, paper clips, highlighters, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.
You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.
The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **19** printed pages and **1** blank page.

© UCLES 2013

There are 10 parts to Question 1.

For Examiner's Use

For **each** of the parts **(a)** to **(j)** below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 **(a)** Sara sold goods on credit to Tarek.

How was this recorded in Sara's ledger?

	account to be debited	account to be credited	
A	cash	Tarek	☐
B	sales	Tarek	☐
C	Tarek	cash	☐
D	Tarek	sales	☐ [1]

(b) Abdul sold goods, $250, on credit to Yasmin.

Yasmin recorded both the debit and credit entries for this transaction as $25.

Which journal entry will correct this error?

		debit $	credit $	
A	Abdul purchases	225	 225	☐
B	Abdul sales	225	 225	☐
C	purchases Abdul	225	 225	☐
D	sales Abdul	225	 225	☐ [1]

For Examiner's Use

(c) A bank statement showed a business had $2400 in its bank account.

A cheque for $350 paid to a supplier, had been entered twice on the statement. Bank charges of $40 were included on the statement but had not been entered in the cash book.

What is the correct bank balance?

A $2010 ☐

B $2050 ☐

C $2090 ☐

D $2750 ☐ [1]

(d) Where are bad debts shown?

A credit entry in the purchases ledger control account ☐

B credit entry in the sales ledger control account ☐

C debit entry in the purchases ledger control account ☐

D debit entry in the sales ledger control account ☐ [1]

(e) At what value should inventory appear in a balance sheet?

A average cost price during the year ☐

B average selling price during the year ☐

C lower of cost and net realisable value ☐

D net realisable value ☐ [1]

© UCLES 2013

[Turn over

For Examiner's Use

(f) The following balances were brought down on a rent receivable account.

	$
1 January 2012	2000 Dr
1 January 2013	1000 Cr

Rent received during 2012 was $15 000.

What amount should be shown for rent receivable in the income statement for the year ended 31 December 2012?

A $12 000 ☐

B $13 000 ☐

C $14 000 ☐

D $15 000 ☐ [1]

(g) At the end of the financial year of East Ltd, the interest due to the debenture holders had not been paid.

Where will debenture interest be recorded in the financial statements of East Ltd?

	income statement	appropriation account	balance sheet		
			asset	liability	
A	✓		✓		☐
B	✓			✓	☐
C		✓	✓		☐
D		✓		✓	☐ [1]

(h) Which would **not** appear in a receipts and payments account?

A depreciation ☐

B insurance ☐

C subscriptions ☐

D wages ☐ [1]

For Examiner's Use

(i) A trader's quick (acid-test) ratio was 0.8 : 1.

What does this mean?

A Current assets excluding inventory were less than current liabilities. ☐

B Current assets excluding inventory were more than current liabilities. ☐

C Current assets were less than current liabilities. ☐

D Current assets were more than current liabilities. ☐ [1]

(j) With what should a trader compare his results in order to measure the progress of his business?

A the financial statements of another trader in a different type of business ☐

B the financial statements of his business for previous years ☐

C the profit for the year made by a trader in a different type of business ☐

D the profit for the year made by each business in the same town ☐ [1]

[Total: 10]

© UCLES 2013

[Turn over

For Examiner's Use

2 **(a)** Complete the following sentences, using the following terms

accounting	assets	balance sheet
book-keeping	income statement	liabilities

The recording of financial transactions is known as .....

The production of financial statements from the records is called .....

When a business needs to show its financial position it produces the .....

This shows the items a business owns, known as ..... and the items it owes, called .....

To show the profit earned, the business prepares the .....

[6]

On 1 August 2012 Gosha had a debit balance on her insurance account of $350. On 15 November she paid the annual insurance premium, $1200, by cheque. On 31 July 2013 $1190 was transferred to the income statement.

(b) Prepare the insurance account for the year ended 31 July 2013. Balance the account and bring down the balance on 1 August 2013.

Insurance account

.....

.....

.....

.....

.....

.....

..... [4]

(c) Explain why there is a balance on the insurance account at 1 August 2013.

.....

..... [1]

For Examiner's Use

(d) Complete the table below. Use a tick (✓) to show on which side of a trial balance **each** item would appear. The first one has been completed as an example.

	Debit	Credit
Equipment	✓	
Bank overdraft		
Sales		
Discount allowed		
Capital		
Drawings		

[5]

(e) State **one** purpose of preparing a trial balance.

.....

..... [1]

(f) A payment for vehicle repairs has been debited to the motor vehicles account in error.

(i) Name the type of error which has taken place.

..... [1]

(ii) Explain the effects of this error on the trial balance.

.....

.....

..... [2]

(g) Name the following documents.

For Examiner's Use

	Document
a document sent by a supplier showing the balance owing at the end of a month	
a document sent to a customer as a demand for payment	
a document sent by a customer detailing the allowance due on returned goods	

[3]

[Total: 23]

For Examiner's Use

3 Samantha runs a delivery company. On 1 January 2012 the business had three delivery vans. The following information is available.

Van	Original cost	Accumulated depreciation at 1 January 2012
	$	$
A	20 000	11 562
B	24 000	10 500
C	30 000	13 125

Further information is as follows.

1 Delivery vans are depreciated at the rate of 25% per annum on the reducing (diminishing) balance basis. A full year's depreciation is provided in the year of purchase and none in the year of disposal.

2 On 1 July 2012 Samantha sold van B.

3 On 1 August 2012 Samantha bought van D for $28 000 from DM Limited. She paid half the cost by cheque. The balance was to be paid to the supplier in 12 months' time.

(a) State how many years' depreciation had been provided on van B at the date of disposal.

.....

..... [2]

(b) Complete the ledger account below.

Delivery vans account

2012		$	2012		$
Jan 1	Balance b/d		Jul 1		
Aug 1	Bank		Dec 31	Balance c/d	78 000
2013					
Jan 1	Balance b/d	78 000			

[6]

For Examiner's Use

(c) Calculate the depreciation charge for the year ended 31 December 2012 for each delivery van and in total.

Van	Calculation	Depreciation for the year
		$
A		
B		
C		
D		
Total		

[5]

(d) Prepare the provision for depreciation account for the year ended 31 December 2012.

Provision for depreciation of delivery vans account

.....

.....

.....

.....

.....

.....

.....

..... [4]

(e) Prepare a balance sheet extract for delivery vans at 31 December 2012.

.....

.....

.....

.....

..... [3]

(f) Name the accounting principle being applied when the same method of depreciation is used every year.

For Examiner's Use

.....

[1]

(g) State **three** causes of depreciation.

.....

.....

.....

.....

[3]

[Total: 24]

For Examiner's Use

4 Solomon started a business on 1 September 2012.

He did not keep proper accounting records but was able to provide the following information about his assets and liabilities at 31 August 2013.

	$
Vehicle (at valuation)	4800
Inventory	6200
Trade receivables	3100
Bank (debit)	4700
Trade payables	2500
Other receivables	400
Other payables	650

(a) Prepare Solomon's statement of affairs at 31 August 2013 showing the **total** capital at that date.

Solomon
Statement of Affairs at 31 August 2013

[6]

The following information is also available.

For Examiner's Use

On 1 September 2012 Solomon paid $10 000 into the business bank account and transferred his vehicle to the business at a value of $5500.

During the year ended 31 August 2013:

1 Solomon withdrew from the business $18 000 cash for living expenses and took $450 of goods for his own use.

2 Solomon paid $2000 rent from his own funds. He also paid a further $1000 into the business bank account.

(b) Using your answer to **(a)** and the information above calculate Solomon's profit for the year ended 31 August 2013.

.....

.....

.....

.....

.....

.....

.....

..... [5]

(c) The bank statements show that receipts from customers during the year were $94 450, and payments to suppliers were $71 700.

Prepare the trading account section of Solomon's income statement for the year ended 31 August 2013.

Solomon
Income Statement for the year ended 31 August 2013

.....

.....

.....

.....

.....

.....

.....

.....

..... [8]

(d) Solomon is considering going into partnership. State **two** advantages and **two** disadvantages of forming a partnership.

For Examiner's Use

Advantages

1 .....

.....

2 .....

.....

Disadvantages

1 .....

.....

2 .....

..... [4]

[Total: 23]

Question 5 is on the next page.

For Examiner's Use

5 **(a)** Explain the following terms.

1 Bad debts

.....

.....

2 Provision for doubtful debts

.....

..... [2]

On 1 September 2012 Leila's total trade receivables amounted to $16 100 and she had a provision for doubtful debts of $322.

On 31 August 2013 her trade receivables totalled $21 200. This included $1400 owed by a customer who had been declared bankrupt and was unlikely ever to pay. Leila decided to provide for doubtful debts at a rate of 3%.

(b) Prepare the provision for doubtful debts account for the year ended 31 August 2013. Balance the account and bring down the balance on 1 September 2013.

Provision for doubtful debts account

.....

.....

.....

.....

.....

.....

..... [5]

(c) Prepare a balance sheet extract for trade receivables at 31 August 2013.

.....

.....

.....

..... [2]

(d) Leila owns a manufacturing business. Complete the table below using a tick (✓) to indicate how **each** item would appear in the financial statements. The first one has been completed as an example.

For Examiner's Use

	Manufacturing account direct cost	Manufacturing account indirect cost	Income statement
Production labour	✓		
Depreciation of delivery van			
Purchases of raw material			
Factory supervisor's salary			
Salesman's commission			
Carriage inwards			

[5]

[Total: 14]

For Examiner's Use

6 On 1 July 2013 a trader had the following transactions.

1 Received $800 by cheque from subletting premises.

2 Took goods costing $200 for his own use.

3 Received $600 by cheque in full settlement of a debt of $625 from Tabitha, a credit customer.

4 Sold goods costing $1000 on credit to Samir for $1400.

(a) Complete the table below showing how these transactions are recorded. The first one has been completed as an example.

Transaction	Debit entry		Credit entry	
		$		$
1	*Bank*	*800*	*Rent receivable*	*800*
2				
3				
4				

[7]

(b) At the start of business on 1 July 2013 the working capital (net current assets) of the business was $12 100. Calculate the value of working capital after the transactions above have taken place.

	$
Opening working capital	12 100
Transaction 1	
2	
3	
4	
Closing working capital	

[5]

For Examiner's Use

(c) Complete the table below. Write 'Increase', 'Decrease' or 'No effect' to indicate the effect **each** transaction has on the current ratio and the quick (acid test) ratio. The first one has been completed as an example.

Transaction	Current ratio	Quick (acid test) ratio
1	*Increase*	*Increase*
2		
3		
4		

[6]

(d) Complete the table below using a tick (✓) to indicate how each item would be classified. The first one has been completed as an example.

	Capital expenditure	Capital receipt	Revenue expenditure	Revenue receipt
Rental income				✓
Purchase of goods for resale				
Purchase of equipment				
Proceeds of sale of fixtures				
Payment of advertising				
Credit sales				
Discount allowed				

[6]

(e) Name the financial statement in which the following are shown.

1 Capital expenditure

.....

2 Revenue expenditure

..... [2]

[Total: 26]

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.